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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

March 31, 1944

National Power & Light Company

Two Rector Street, New York 6

BOARD OF DIRECTORS

C. H. Achenbach	*New York*
Paul H. Saunders	*New Orleans, La.*
P. B. Sawyer	*New York*
Alexander Simpson	*New York*
Raymond H. Smith	*New York*
Robert V. White	*Philadelphia, Pa.*

OFFICERS

P. B. Sawyer	*President*
Raymond H. Smith	*Vice-President*
Alexander Simpson	*Secretary and Treasurer*
C. H. Achenbach	*Assistant Secretary and Assistant Treasurer*
O. E. Anderson	*Assistant Secretary and Assistant Treasurer*

National Power & Light Company

(Incorporated in New Jersey)

Balance Sheet

March 31, 1944

Assets

Investment Securities and Advances—Subsidiaries		$117,966,217.63
Current Assets:		
Cash in Banks—On Demand	$273,238.01	
Special Cash Deposits	420,451.15	
Dividends Receivable—Subsidiaries—Consolidated	150,042.75	
Other Current Assets	750.00	
Total Current Assets		844,481.91
Deferred Charges—Liquidation Account—Memphis Power & Light Company		2,392.76
Reacquired Capital Stock (17 shares common stock)		306.77
Total		$118,813,399.07

Liabilities

Capital Stock (no par value):	
$7 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $6 Preferred; authorized, 9,063 shares; outstanding, none	—
$6 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $7 Preferred; authorized, 220,284 shares; outstanding, none	—
Common; authorized, 7,500,000 shares; outstanding (less 12,810 shares in treasury), 5,456,117 shares	$ 98,456,795.00

Current Liabilities:		
Accounts Payable:		
Associate Companies	$ 3,692.65	
Others	14,565.41	
Accrued Interest (cash in special deposits)	1,140.00	
Accrued Taxes	98,783.95	
Liquidation Account—Tennessee Public Service Company	328,640.03	
Long-Term Debt Called for Redemption, Including Premium and Interest (cash in special deposits)	186,875.22	
$6 Preferred Stock Retired, Including Accumulated Dividends (cash in special deposits)	232,394.75	
Total Current Liabilities		866,092.01
Reserve for Losses or Adjustments With Respect to Capital Assets		6,994,907.76
Reserve (appropriated from Capital Surplus)		281,378.26
Capital Surplus (see Note 6)		198.92
Earned Surplus (restricted as to dividends)		12,214,027.12
Total		$118,813,399.07

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended March 31		Twelve Months Ended March 31	
	1944	1943	1944	1943
INCOME:				
From Subsidiaries—Consolidated	$ 150,043	$ 104,574	$1,173,367	$1,356,976
Other	102	236,383	146,963	336,448
TOTAL INCOME	$ 150,145	$ 340,957	$1,320,330	$1,693,424
EXPENSES:				
Expenses, excluding Taxes	$ 79,350	$ 83,029	$ 349,218	$ 344,903
Taxes, excluding Federal income:				
Federal	1,383	1,254	5,760	21,347*
Other	4,797	5,047	18,940	27,225
TOTAL EXPENSES	$ 85,530	$ 89,330	$ 373,918	$ 350,781
NET OPERATING INCOME	$ 64,615	$ 251,627	$ 946,412	$1,342,643
INTEREST AND OTHER DEDUCTIONS FROM INCOME	83	389	1,070	8,903
BALANCE	$ 64,532	$ 251,238	$ 945,342	$1,333,740
FEDERAL INCOME TAX	4,700	14,400	41,599	64,385
NET INCOME	$ 59,832	$ 236,838	$ 903,743	$1,269,355

*Net credit after adjustment of $25,937 overprovision for Federal capital stock tax applicable to the three months ended March 31, 1942.

Summary of Earned Surplus
For the Twelve Months Ended March 31, 1944

EARNED SURPLUS, APRIL 1, 1943 (all restricted as to common dividends, and $1,846,999.59 restricted as to preferred dividends)		$ 4,150,609.11
ADD:		
Net income for the twelve months ended March 31, 1944		903,743.55
Profit on sale of 242,664 shares of Houston Lighting & Power Company common stock (less expenses applicable thereto, $68,658.25)		7,654,878.37
Miscellaneous adjustments		325.08
TOTAL		$12,709,556.11
DEDUCT:		
Premium on 150,000 shares $6 preferred stock retired (less amount charged to capital surplus, $9,129.45) and expenses applicable thereto	$ 326,905.98	
Interest to maturity (July 1, 1951) on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds	9,291.67	
Trustee fees in connection with the satisfaction of Lancaster County Railway and Light Company mortgage	1,185.00	
Miscellaneous adjustments	646.34	
Dividend appropriations—$6 preferred stock	157,500.00	
TOTAL DEDUCTIONS		$ 495,528.99
EARNED SURPLUS, MARCH 31, 1944 (restricted as to dividends)		$12,214,027.12

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended March 31		Twelve Months Ended March 31	
Subsidiaries	1944	1943	1944	1943
Operating Revenues	$21,548,388	$20,487,939	$83,926,552	$89,165,863
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,758,748	$ 9,694,428	$42,724,003	$41,968,438
Direct Taxes:				
Federal	3,576,281	3,432,853	12,130,188	14,327,556
Other	1,236,239	1,315,574	4,799,885	5,427,320
Property Retirement Reserve Appropriations	1,639,570	1,587,432	6,348,141	6,799,691
Total Operating Revenue Deductions	$17,210,838	$16,030,287	$66,002,217	$68,523,005
Net Operating Revenues	$ 4,337,550	$ 4,457,652	$17,924,335	$20,642,858
Rent from Lease of Plants (Net)	5,751	4,056	20,393	18,409
Operating Income	$ 4,343,301	$ 4,461,708	$17,944,728	$20,661,267
Other Income	$ 42,709	$ 25,011	$ 142,395	$ 105,264
Other Income Deductions	5,644	8,525	44,016	45,500
Other Income (Net)	$ 37,065	$ 16,486	$ 98,379	$ 59,764
Gross Income	$ 4,380,366	$ 4,478,194	$18,043,107	$20,721,031
Interest to Public and Other Deductions	$ 2,117,945	$ 2,093,680	$ 8,310,505	$ 9,130,024
Less Interest charged to Construction	2,526	77,681	139,506	287,232
Net Interest to Public and Other Deductions	$ 2,115,419	$ 2,015,999	$ 8,170,999	$ 8,842,792
Balance	$ 2,264,947	$ 2,462,195	$ 9,872,108	$11,878,239
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,321,804	1,322,673	5,287,873	5,510,934
Balance	$ 943,143	$ 1,139,522	$ 4,584,235	$ 6,367,305
Portion applicable to Minority Interests	942	1,954	4,388	610,722
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 942,201	$ 1,137,568	$ 4,579,847	$ 5,756,583
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 942,201	$ 1,137,568	$ 4,579,847	$ 5,756,583
Other Income	102	236,383	146,963	336,448
Total	$ 942,303	$ 1,373,951	$ 4,726,810	$ 6,093,031
Expenses, excluding Taxes	$ 79,350	$ 83,029	$ 349,218	$ 344,903
Taxes, excluding Federal income:				
Federal	1,383	1,254	5,760	21,347*
Other	4,797	5,047	18,940	27,225
Total Expenses	$ 85,530	$ 89,330	$ 373,918	$ 350,781
Balance	$ 856,773	$ 1,284,621	$ 4,352,892	$ 5,742,250
Interest and Other Deductions	83	389	1,070	8,903
Balance	$ 856,690	$ 1,284,232	$ 4,351,822	$ 5,733,347
Federal Income Tax	4,700	14,400	41,599	64,385
Balance Carried to Consolidated Earned Surplus	$ 851,990	$ 1,269,832	$ 4,310,223	$ 5,668,962

*Net credit after adjustment of $25,937 overprovision for Federal capital stock tax applicable to the three months ended March 31, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of March 1944 and 1943

	1944	1943
Operating Revenues	$7,079,036	$6,621,729
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,528,320	$3,320,080
Direct Taxes:		
Federal	1,137,425	852,473
Other	400,279	436,789
Property Retirement Reserve Appropriations	545,708	524,258
Total Operating Revenue Deductions	$5,611,732	$5,133,600
Net Operating Revenues	$1,467,304	$1,488,129

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order. A tentative plan for dissolution was submitted to the Commission on October 13, 1941, and on May 12, 1942, such plan modified and brought down to date was filed with the Commission which, from time to time, has been further amended.

Pursuant thereto and in compliance with said order, after appropriate corporate action and approval of regulatory authorities, the Company disposed of its investments in Houston Lighting & Power Company, West Tennessee Gas Company (subsidiaries), and minor other securities.

Pursuant to an order of the Securities and Exchange Commission dated March 21, 1944, making effective the terms of an application or declaration, as amended, filed jointly by National Power & Light Company and Birmingham Electric Company, the former surrendered on May 15, 1944 to the latter (a) its right to receive from Birmingham certain junior securities in the amount of $2,384,540.00 and (b) 800,000 shares common stock of Birmingham in exchange for 545,610 shares of said stock issued in lieu thereof (with no change in the ledger value of National's investment in Birmingham), and Birmingham made adjustments substantially affecting its plant, capital stock, surplus and other accounts.

2. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of original cost (defined by the systems as "the cost of such property to the person first devoting it to public service"). Subsidiaries subject to such requirements, except Pennsylvania Power & Light Company and Lehigh Valley Transit Company, in complying therewith have been required to make substantial adjustments to plant and property, surplus and other accounts. Pennsylvania Power & Light Company may be required to make substantial adjustments to its plant and property, surplus and other accounts, but pending final determination of controversial matters, it is impossible to determine the full effect upon the accounts of the company. Lehigh Valley Transit Company contemplates in connection with the liquidation plan of National Power & Light Company a study and reclassification of its plant, property, and equipment accounts and those of its subsidiaries since organization, which is expected to result in substantial accounting adjustments affecting plant, property retirement reserve, surplus and other accounts.

The operating subsidiaries have followed generally the retirement reserve method of providing for retirements of property, and from time to time have increased considerably the provisions for property retirement. While these provisions do not purport to be calculated on the basis of specific formulae for the determination of loss in service value of depreciable property, the operating subsidiaries believe that the provision for the current period is adequate to meet the applicable requirements of the system of accounts prescribed by regulatory authority.

3. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania

Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock (the restriction applicable to the payment of dividends by Birmingham Electric Company was rescinded by an order of the Commission dated March 21, 1944), and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended March 31		Twelve Months Ended March 31	
	1944	1943	1944	1943
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	$150,042.75	None	$ 657,590.43	None
Pennsylvania Power & Light Company	None	$75,163.00	394,605.75	$347,628.88
Total	$150,042.75	$75,163.00	$1,052,196.18	$347,628.88

4. Investment securities and advances are stated on the basis of the Company's valuations of securities acquired for securities issued and on the basis of cash costs, less net proceeds received and other credits arising through disposal of investments included in group valuations. Losses or gains arising through the disposal of bonds and other investments included in group valuations—undeterminable in the absence of individual valuations—are included in ledger value.

5. Arrangements are being made for the distribution to the former holders of preferred stock of Tennessee Public Service Company (National owned about 85% of this stock) of the net distributable amount in the liquidation account. Assuming that the balance shown had been distributed as of March 31, 1944, National would have had net current assets of $258,924, instead of net current liabilities of $21,610.

6. Capital surplus at March 31, 1943 was $9,129.45. During the year ended March 31, 1944, this was increased by $198.92 representing the excess of stated value of 17 shares of common stock reacquired over the cost thereof. Capital surplus was charged in June 1943 with $9,129.45 representing a proportion of the premium on retirement of $6 preferred stock (balance charged to earned surplus).

7. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statement of consolidated income, the Federal taxes for the twelve months ended March 31, 1943 would have been approximately $280,000 more than shown.

8. The provisions for Federal and State (where applicable) taxes on income cover maximum indicated requirements and are subject to adjustments which may result in substantial reductions when the liability for such taxes has been finally determined by tax authorities. The provisions for Federal taxes on income of Carolina Power & Light Company for the twelve months ended December 31, 1943 and 1942 take into account expected retroactive amendments to Section 710(a) (1) (B) of the Internal Revenue Code which, however, were not included in the Revenue Act of 1943 as enacted on February 25, 1944, and such provisions are therefore subject to reduction in the approximate amounts of $366,000 and $331,000 for the respective periods. During 1944, Pennsylvania Power & Light Company, prior to final determination by the tax authorities, made adjustments of approximately $2,000,000 which were credited to earned surplus and reduced unused provisions for the years 1940, 1941, 1942, and 1943 in the respective amounts of $30,000, $550,000, $1,050,000, and $370,000.

9. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

The accompanying consolidated statements do not include the operations of The Memphis Street Railway Company, the entire outstanding common stock and approximately 36.73% of the preferred stock of which was intercompany owned at March 31, 1944, and carried at $2.00. Until April 1, 1943, that company was under control of non-affiliated voting trustees. At March 31, 1944, based on unaudited statements, the company had a deficit of $1,127,989.02 after net income for the twelve months ended March 31, 1944, of $676,835.48 and $116,252.23 discount on bonds reacquired, etc., and had undeclared cumulative dividends of $288,456.00 on preferred stock held by the public; and any distribution of its income was restricted until fulfillment of certain sinking fund requirements relating to outstanding bonds. As stated in the 1943 Annual Report of the Company the bonds of The Memphis Street Railway Company mature October 1, 1945, and the franchise expires in November of the same year. In April and May, 1944, the holdings of National Power & Light Company and Memphis Generating Company, a subsidiary, in the preferred stock of The Memphis Street Railway Company were sold.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK 4

Accountants' Certificate

NATIONAL POWER & LIGHT COMPANY,
2 Rector Street,
New York 6.

We have examined the balance sheet of National Power & Light Company as of March 31, 1944 and the related statement of income for the three-month and twelve-month periods ended March 31, 1944 and 1943 and summary of earned surplus for the twelve months ended March 31, 1944, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. We have previously made similar examinations since January 1, 1924.

We have also examined the statement of consolidated income of National Power & Light Company and subsidiaries for the three-month and twelve-month periods ended March 31, 1944 and 1943 and statement of consolidated operating income of subsidiaries for the month of March 1944 and 1943. While we have not examined the accounts of the subsidiaries for the three months ended March 31, 1944 we have previously examined them (with minor exceptions) annually from January 1, 1932 to December 31, 1943 and have reviewed their reports for the three months ended March 31, 1944 and compared the figures used in the preparation of the consolidated statements with the records of the parent company and with such reports.

The accounts of the companies are subject to the effect, not now fully determinable, of final determination of matters pending before regulatory authorities referred to in notes to financial statements. Losses or gains arising through disposal of assets included in group valuations—undeterminable in the absence of individual valuations—are included in the companies' ledger value of assets. We are not in a position to express an opinion as to the adequacy of the companies' property retirement reserves.

In our opinion, subject to the comments in the preceding paragraph, the accompanying balance sheet and related statement of income and summary of earned surplus of National Power & Light Company fairly present the financial condition of that company at March 31, 1944 and the results of its operations for the three-month and twelve-month periods ended March 31, 1944 and 1943, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year. As to the statements of consolidated income, which are also subject to the comments in the preceding paragraph, they have, in our opinion, based on the examinations outlined in the second paragraph, been properly compiled.

HASKINS & SELLS
Certified Public Accountants

New York,
June 14, 1944.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

April 30, 1944

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended April 30		Twelve Months Ended April 30	
	1944	1943	1944	1943
INCOME:				
From Subsidiaries—Consolidated	$150,043	$109,378	$1,168,564	$1,232,192
Other	.....	236,482	73,918	405,594
TOTAL INCOME	$150,043	$345,860	$1,242,482	$1,637,786
EXPENSES:				
Expenses, excluding Taxes	$ 72,671	$ 89,642	$ 343,852	$ 349,376
Taxes, excluding Federal income:				
Federal	1,337	1,229	5,794	29,981*
Other	4,621	4,962	19,242	26,363
TOTAL EXPENSES	$ 78,629	$ 95,833	$ 368,888	$ 345,758
NET OPERATING INCOME	$ 71,414	$250,027	$ 873,594	$1,292,028
INTEREST AND OTHER DEDUCTIONS FROM INCOME	.....	394	945	7,394
BALANCE	$ 71,414	$249,633	$ 872,649	$1,284,634
FEDERAL INCOME TAX	4,700	14,650	38,299	61,127
NET INCOME	$ 66,714	$234,983	$ 834,350	$1,223,507

*Net credit after adjustment of $34,583 overprovision for Federal capital stock tax applicable to the four months ended April 30, 1942.

Summary of Earned Surplus

For the Twelve Months Ended April 30, 1944

EARNED SURPLUS, MAY 1, 1943 (all restricted as to common dividends, and $1,846,999.59 restricted as to preferred dividends)	$ 4,200,330.91
ADD:	
Net income for the twelve months ended April 30, 1944	834,350.49
Profit on sale of 242,664 shares of Houston Lighting & Power Company common stock (less expenses applicable thereto, $68,658.25)	7,654,878.37
Profit from sale of investments	18,129.75
Miscellaneous adjustments	325.08
TOTAL	$12,708,014.60
DEDUCT:	
Premium on 150,000 shares $6 preferred stock retired (less amount charged to capital surplus, $9,129.45) and expenses applicable thereto	$ 326,905.98
Interest to maturity (July 1, 1951) on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds	9,291.67
Trustee fees in connection with the satisfaction of Lancaster County Railway and Light Company mortgage	1,185.00
Miscellaneous adjustments	646.34
Dividend appropriations—$6 preferred stock	157,500.00
TOTAL DEDUCTIONS	$ 495,528.99
EARNED SURPLUS, APRIL 30, 1944 (restricted as to dividends)	$12,212,485.61

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

Subsidiaries	Three Months Ended April 30 1944	Three Months Ended April 30 1943	Twelve Months Ended April 30 1944	Twelve Months Ended April 30 1943
Operating Revenues	$21,245,903	$20,592,743	$84,223,918	$89,075,928
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,511,937	$ 9,978,838	$42,901,011	$42,152,201
Direct Taxes:				
Federal	3,581,993	3,154,760	12,341,736	14,263,275
Other	1,164,402	1,352,628	4,707,278	5,261,459
Property Retirement Reserve Appropriations	1,638,961	1,609,369	6,375,377	6,812,514
Total Operating Revenue Deductions	$16,897,293	$16,095,595	$66,325,402	$68,489,449
Net Operating Revenues	$ 4,348,610	$ 4,497,148	$17,898,516	$20,586,479
Rent from Lease of Plants (Net)	5,752	4,022	20,631	18,346
Operating Income	$ 4,354,362	$ 4,501,170	$17,919,147	$20,604,825
Other Income	$ 45,040	$ 20,054	$ 151,546	$ 106,056
Other Income Deductions	6,613	9,875	43,418	46,636
Other Income (Net)	$ 38,427	$ 10,179	$ 108,128	$ 59,420
Gross Income	$ 4,392,789	$ 4,511,349	$18,027,275	$20,664,245
Interest to Public and Other Deductions	$ 2,133,009	$ 2,120,589	$ 8,313,878	$ 9,058,202
Less Interest charged to Construction	1,545	83,872	109,878	299,865
Net Interest to Public and Other Deductions	$ 2,131,464	$ 2,036,717	$ 8,204,000	$ 8,758,337
Balance	$ 2,261,325	$ 2,474,632	$ 9,823,275	$11,905,908
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,315,971	1,326,910	5,281,785	5,488,000
Balance	$ 945,354	$ 1,147,722	$ 4,541,490	$ 6,417,908
Portion applicable to Minority Interests	359	2,137	1,492	729,338
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 944,995	$ 1,145,585	$ 4,539,998	$ 5,688,570
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 944,995	$ 1,145,585	$ 4,539,998	$ 5,688,570
Other Income	.....	236,482	73,918	405,594
Total	$ 944,995	$ 1,382,067	$ 4,613,916	$ 6,094,164
Expenses, excluding Taxes	$ 72,671	$ 89,642	$ 343,852	$ 349,376
Taxes, excluding Federal income:				
Federal	1,337	1,229	5,794	29,981*
Other	4,621	4,962	19,242	26,363
Total Expenses	$ 78,629	$ 95,833	$ 368,888	$ 345,758
Balance before Interest and Other Deductions	$ 866,366	$ 1,286,234	$ 4,245,028	$ 5,748,406
Interest and Other Deductions	.....	394	945	7,394
Balance	$ 866,366	$ 1,285,840	$ 4,244,083	$ 5,741,012
Federal Income Tax	4,700	14,650	38,299	61,127
Balance Carried to Consolidated Earned Surplus	$ 861,666	$ 1,271,190	$ 4,205,784	$ 5,679,885

*Net credit after adjustment of $34,583 overprovision for Federal capital stock tax applicable to the four months ended April 30, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of April 1944 and 1943

	1944	1943
Operating Revenues	$7,005,551	$7,176,102
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,443,311	$3,500,829
Direct Taxes:		
Federal	1,240,370	1,089,271
Other	348,783	475,580
Property Retirement Reserve Appropriations	547,979	555,293
Total Operating Revenue Deductions	$5,580,443	$5,620,973
Net Operating Revenues	$1,425,108	$1,555,129

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order. A tentative plan for dissolution was submitted to the Commission on October 13, 1941, and on May 12, 1942, such plan modified and brought down to date was filed with the Commission which, from time to time, has been further amended.

Pursuant thereto and in compliance with said order, after appropriate corporate action and approval of regulatory authorities, the Company disposed of its investments in Houston Lighting & Power Company, West Tennessee Gas Company (subsidiaries), and minor other securities.

Pursuant to an order of the Securities and Exchange Commission dated March 21, 1944, making effective the terms of an application or declaration, as amended, filed jointly by National Power & Light Company and Birmingham Electric Company, the former surrendered on May 15, 1944 to the latter (a) its right to receive from Birmingham certain junior securities in the amount of $2,384,540.00 and (b) 800,000 shares common stock of Birmingham in exchange for 545,610 shares of said stock issued in lieu thereof (with no change in the ledger value of National's investment in Birmingham), and Birmingham made adjustments substantially affecting its plant, capital stock, surplus and other accounts.

2. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of original cost (defined by the systems as "the cost of such property to the person first devoting it to public service"). Subsidiaries subject to such requirements, except Pennsylvania Power & Light Company and Lehigh Valley Transit Company, in complying therewith have been required to make substantial adjustments to plant and property, surplus and other accounts. Pennsylvania Power & Light Company may be required to make substantial adjustments to its plant and property, surplus and other accounts, but pending final determination of controversial matters, it is impossible to determine the full effect upon the accounts of the company. Lehigh Valley Transit Company contemplates in connection with the liquidation plan of National Power & Light Company a study and reclassification of its plant, property, and equipment accounts and those of its subsidiaries since organization, which is expected to result in substantial accounting adjustments affecting plant, property retirement reserve, surplus and other accounts.

The operating subsidiaries have followed generally the retirement reserve method of providing for retirements of property, and from time to time have increased considerably the provisions for property retirement. While these provisions do not purport to be calculated on the basis of specific formulae for the determination of loss in service value of depreciable property, the operating subsidiaries believe that the provision for the current period is adequate to meet the applicable requirements of the system of accounts prescribed by regulatory authority.

3. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock (the restriction applicable to the payment of dividends by Birmingham Electric Company was rescinded by an order of the Commission dated March 21, 1944), and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended April 30		Twelve Months Ended April 30	
	1944	1943	1944	1943
Birmingham Electric Company	None	None	None	None
Carolina Power & Light Company	$150,042.75	None	$ 657,590.43	None
Pennsylvania Power & Light Company	None	$75,163.00	394,605.75	$347,628.88
Total	$150,042.75	$75,163.00	$1,052,196.18	$347,628.88

4. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statement of consolidated income, the Federal taxes for the twelve months ended April 30, 1943, would have been approximately $380,000 more than shown.

5. The provisions for Federal and State (where applicable) taxes on income cover maximum indicated requirements and are subject to adjustments which may result in substantial reductions when the liability for such taxes has been finally determined by tax authorities. The provisions for Federal taxes on income of Carolina Power & Light Company for the twelve months ended December 31, 1943 and 1942 take into account expected retroactive amendments to Section 710(a) (1) (B) of the Internal Revenue Code which, however, were not included in the Revenue Act of 1943 as enacted on February 25, 1944, and such provisions are therefore subject to reduction in the approximate amounts of $366,000 and $331,000 for the respective periods. During 1944, Pennsylvania Power & Light Company, prior to final determination by the tax authorities, made adjustments of approximately $2,000,000 which were credited to earned surplus and reduced unused provisions for the years 1940, 1941, 1942, and 1943 in the respective amounts of $30,000, $550,000, $1,050,000, and $370,000.

6. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

The accompanying consolidated statements include the operations of The Memphis Street Railway Company only for the month of April 1943, the entire outstanding common stock and approximately 32.49% of the preferred stock of which was intercompany owned at April 30, 1944, and carried at $1.00. Until April 1, 1943, that company was under control of non-affiliated voting trustees. At April 30, 1944, the company had a deficit of $1,077,314.14 after net income for the twelve months ended April 30, 1944, of $643,250.59 and $97,591.73 discount on bonds reacquired, etc., and had undeclared cumulative dividends of $312,661.33 on preferred stock held by the public; and any distribution of its income was restricted until fulfillment of certain sinking fund requirements relating to outstanding bonds. As stated in the 1943 Annual Report of the Company the bonds of The Memphis Street Railway Company mature October 1, 1945, and the franchise expires in November of the same year. In April and May, 1944, the holdings of National Power & Light Company and Memphis Generating Company, a subsidiary, in the preferred stock of The Memphis Street Railway Company were sold.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

May 31, 1944

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended May 31		Twelve Months Ended May 31	
	1944	1943	1944	1943
INCOME:				
From Subsidiaries—Consolidated	$524,201	$109,378	$1,467,559	$1,140,144
Other	.....	236,482	991	476,287
TOTAL INCOME	$524,201	$345,860	$1,468,550	$1,616,431
EXPENSES:				
Expenses, excluding Taxes	$ 74,257	$ 95,673	$ 329,330	$ 346,401
Taxes, excluding Federal income:				
Federal	1,307	1,218	5,818	38,610*
Other	4,634	4,870	18,994	25,356
TOTAL EXPENSES	$ 80,198	$101,761	$ 354,142	$ 333,147
NET OPERATING INCOME	$444,003	$244,099	$1,114,408	$1,283,284
INTEREST AND OTHER DEDUCTIONS FROM INCOME	.....	342	836	5,993
BALANCE	$444,003	$243,757	$1,113,572	$1,277,291
FEDERAL INCOME TAX	20,700	13,400	48,399	56,027
NET INCOME	$423,303	$230,357	$1,065,173	$1,221,264

*Net credit after adjustment of $43,229 overprovision for Federal capital stock tax applicable to the five months ended May 31, 1942.

Summary of Earned Surplus

For the Twelve Months Ended May 31, 1944

EARNED SURPLUS, JUNE 1, 1943 (all restricted as to common dividends, and $9,515,996.57 restricted as to preferred dividends)	$11,977,628.53
ADD:	
Net income for the twelve months ended May 31, 1944	1,065,173.35
Profit from sale of investments	18,129.75
Miscellaneous adjustments	325.08
TOTAL	$13,061,256.71
DEDUCT:	
Premium on 150,000 shares $6 preferred stock retired (less amount charged to capital surplus, $9,129.45) and expenses applicable thereto	$ 326,905.98
Additional expenses in connection with sale of 242,664 shares of Houston Lighting & Power Company common stock	14,118.61
Interest to maturity (July 1, 1951) on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds	9,291.67
Trustee fees in connection with the satisfaction of Lancaster County Railway and Light Company mortgage	1,185.00
Miscellaneous adjustments	646.34
Dividend appropriations—$6 preferred stock	157,500.00
TOTAL DEDUCTIONS	$ 509,647.60
EARNED SURPLUS, MAY 31, 1944 (restricted as to dividends)	$12,551,609.11

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended May 31		Twelve Months Ended May 31	
Subsidiaries	1944	1943	1944	1943
Operating Revenues	$20,857,134	$20,870,170	$84,409,024	$88,834,496
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,516,594	$10,409,966	$43,102,086	$42,245,840
Direct Taxes:				
Federal	3,261,747	2,875,337	12,358,124	13,828,594
Other	1,129,565	1,398,217	4,632,822	5,427,412
Property Retirement Reserve Appropriations	1,641,734	1,639,604	6,397,931	6,833,679
Total Operating Revenue Deductions	$16,549,640	$16,323,124	$66,490,963	$68,335,525
Net Operating Revenues	$ 4,307,494	$ 4,547,046	$17,918,061	$20,498,971
Rent from Lease of Plants (Net)	4,642	4,095	20,733	18,796
Operating Income	$ 4,312,136	$ 4,551,141	$17,938,794	$20,517,767
Other Income	$ 43,206	$ 24,302	$ 153,562	$ 109,169
Other Income Deductions	9,947	10,537	43,755	46,118
Other Income (Net)	$ 33,259	$ 13,765	$ 109,807	$ 63,051
Gross Income	$ 4,345,395	$ 4,564,906	$18,048,601	$20,580,818
Interest to Public and Other Deductions	$ 2,135,545	$ 2,154,265	$ 8,316,915	$ 8,979,284
Less Interest charged to Construction	2,920	84,192	84,873	305,074
Net Interest to Public and Other Deductions	$ 2,132,625	$ 2,070,073	$ 8,232,042	$ 8,674,210
Balance	$ 2,212,770	$ 2,494,833	$ 9,816,559	$11,906,608
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,310,136	1,331,830	5,275,692	5,465,066
Balance	$ 902,634	$ 1,163,003	$ 4,540,867	$ 6,441,542
Portion applicable to Minority Interests	378	2,165	1,365	560,514
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 902,256	$ 1,160,838	$ 4,539,502	$ 5,881,028
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 902,256	$ 1,160,838	$ 4,539,502	$ 5,881,028
Other Income	.....	236,482	991	476,287
Total	$ 902,256	$ 1,397,320	$ 4,540,493	$ 6,357,315
Expenses, excluding Taxes	$ 74,257	$ 95,673	$ 329,330	$ 346,401
Taxes, excluding Federal income:				
Federal	1,307	1,218	5,818	38,610*
Other	4,634	4,870	18,994	25,356
Total Expenses	$ 80,198	$ 101,761	$ 354,142	$ 333,147
Balance before Interest and Other Deductions	$ 822,058	$ 1,295,559	$ 4,186,351	$ 6,024,168
Interest and Other Deductions	.....	342	836	5,993
Balance	$ 822,058	$ 1,295,217	$ 4,185,515	$ 6,018,175
Federal Income Tax	20,700	13,400	48,399	56,027
Balance Carried to Consolidated Earned Surplus	$ 801,358	$ 1,281,817	$ 4,137,116	$ 5,962,148

*Net credit after adjustment of $43,229 overprovision for Federal capital stock tax applicable to the five months ended May 31, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of May 1944 and 1943

	1944	1943
Operating Revenues	$6,772,548	$7,072,339
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,544,964	$3,589,058
Direct Taxes:		
Federal	883,957	933,592
Other	380,499	485,848
Property Retirement Reserve Appropriations	548,047	560,053
Total Operating Revenue Deductions	$5,357,467	$5,568,551
Net Operating Revenues	$1,415,081	$1,503,788

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order. A tentative plan for dissolution was submitted to the Commission on October 13, 1941, and on May 12, 1942, such plan modified and brought down to date was filed with the Commission which, from time to time, has been further amended.

Pursuant thereto and in compliance with said order, after appropriate corporate action and approval of regulatory authorities, the Company disposed of its investments in Houston Lighting & Power Company, West Tennessee Gas Company (subsidiaries), and minor other securities.

Pursuant to an order of the Securities and Exchange Commission dated March 21, 1944, making effective the terms of an application or declaration, as amended, filed jointly by National Power & Light Company and Birmingham Electric Company, the former surrendered on May 15, 1944 to the latter (a) its right to receive from Birmingham certain junior securities in the amount of $2,384,540.00 and (b) 800,000 shares common stock of Birmingham in exchange for 545,610 shares of said stock issued in lieu thereof (with no change in the ledger value of National's investment in Birmingham), and Birmingham made adjustments substantially affecting its plant, capital stock, surplus and other accounts.

2. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of original cost (defined by the systems as "the cost of such property to the person first devoting it to public service"). Subsidiaries subject to such requirements, except Pennsylvania Power & Light Company and Lehigh Valley Transit Company, in complying therewith have been required to make substantial adjustments to plant and property, surplus and other accounts. Pennsylvania Power & Light Company may be required to make substantial adjustments to its plant and property, surplus and other accounts, but pending final determination of controversial matters, it is impossible to determine the full effect upon the accounts of the company. Lehigh Valley Transit Company contemplates in connection with the liquidation plan of National Power & Light Company a study and reclassification of its plant, property, and equipment accounts and those of its subsidiaries since organization, which is expected to result in substantial accounting adjustments affecting plant, property retirement reserve, surplus and other accounts.

The operating subsidiaries have followed generally the retirement reserve method of providing for retirements of property, and from time to time have increased considerably the provisions for property retirement. While these provisions do not purport to be calculated on the basis of specific formulae for the determination of loss in service value of depreciable property, the operating subsidiaries believe that the provision for the current period is adequate to meet the applicable requirements of the system of accounts prescribed by regulatory authority.

3. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock (the restriction applicable to the payment of dividends by Birmingham Electric Company was rescinded by an order of the Commission dated March 21, 1944), and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended May 31		Twelve Months Ended May 31	
	1944	1943	1944	1943
Birmingham Electric Company	$368,000.00	None	$ 368,000.00	None
Carolina Power & Light Company	150,042.75	None	657,590.43	None
Pennsylvania Power & Light Company	None	$75,163.00	319,442.75	$375,815.00
Total	$518,042.75	$75,163.00	$1,345,033.18	$375,815.00

4. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statement of consolidated income, the Federal taxes for the twelve months ended May 31, 1943, would have been approximately $435,000 more than shown.

5. The provisions for Federal and State (where applicable) taxes on income cover maximum indicated requirements and are subject to adjustments which may result in substantial reductions when the liability for such taxes has been finally determined by tax authorities. The provisions for Federal taxes on income of Carolina Power & Light Company for the twelve months ended December 31, 1943 and 1942 take into account expected retroactive amendments to Section 710(a) (1) (B) of the Internal Revenue Code which, however, were not included in the Revenue Act of 1943 as enacted on February 25, 1944, and such provisions are therefore subject to reduction in the approximate amounts of $366,000 and $331,000 for the respective periods. During 1944, Pennsylvania Power & Light Company, prior to final determination by the tax authorities, made adjustments of approximately $2,000,000 which were credited to earned surplus and reduced unused provisions for the years 1940, 1941, 1942, and 1943 in the respective amounts of $30,000, $550,000, $1,050,000, and $370,000.

6. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

The accompanying consolidated statements include the operations of The Memphis Street Railway Company only for the months of April and May, 1943, the entire outstanding common stock of which was intercompany owned at May 31, 1944, and carried at $1.00. Until April 1, 1943, that company was under control of non-affiliated voting trustees. At May 31, 1944, the company had a deficit of $1,035,095.75 after net income for the twelve months ended May 31, 1944, of $592,031.52 and $78,926.73 discount on bonds reacquired, etc., and had undeclared cumulative dividends of $470,383.33 on preferred stock held by the public; and any distribution of its income was restricted until fulfillment of certain sinking fund requirements relating to outstanding bonds. As stated in the 1943 Annual Report of the Company the bonds of The Memphis Street Railway Company mature October 1, 1945, and the franchise expires in November of the same year. In April and May, 1944, the holdings of National Power & Light Company and Memphis Generating Company, a subsidiary, in the preferred stock of The Memphis Street Railway Company were sold.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

June 30, 1944

National Power & Light Company

Two Rector Street, New York 6

BOARD OF DIRECTORS

C. H. Achenbach	*New York*
Paul H. Saunders	*New Orleans, La.*
P. B. Sawyer	*New York*
Alexander Simpson	*New York*
Raymond H. Smith	*New York*
Robert V. White	*Philadelphia, Pa.*

OFFICERS

P. B. Sawyer	*President*
Raymond H. Smith	*Vice-President*
Alexander Simpson	*Secretary and Treasurer*
C. H. Achenbach	*Assistant Secretary and Assistant Treasurer*
O. E. Anderson	*Assistant Secretary and Assistant Treasurer*

National Power & Light Company

(Incorporated in New Jersey)

Balance Sheet

June 30, 1944

Assets

Investment Securities and Advances—Subsidiaries—Consolidated		$117,966,216.63
Current Assets:		
Cash in Banks—On Demand	$699,342.08	
Special Cash Deposits	394,788.05	
Dividends Receivable—Subsidiaries—Consolidated	150,042.75	
Other Current Assets	750.00	
Total Current Assets		1,244,922.88
Deferred Charges:		
Liquidation Account—Memphis Power & Light Company	$ 2,392.76	
Other	7,264.97	
Total Deferred Charges		9,657.73
Reacquired Capital Stock (17 shares common stock)		306.77
Total		$119,221,104.01

Liabilities

Capital Stock (no par value):		
$7 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $6 Preferred; authorized, 9,063 shares; outstanding, none		—
$6 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $7 Preferred; authorized, 220,284 shares; outstanding, none		—
Common; authorized, 7,500,000 shares; outstanding (less 12,810 shares in treasury), 5,456,117 shares		$ 98,456,795.00
Current Liabilities:		
Accounts Payable	$ 14,251.48	
Accrued Taxes	96,787.04	
Liquidation Account—Tennessee Public Service Company	328,550.03	
Long-Term Debt Called for Redemption, Including Premium and Interest (cash in special deposits)	186,875.22	
$6 Preferred Stock Retired, Including Accumulated Dividends (cash in special deposits)	207,870.75	
Total Current Liabilities		834,334.52
Reserve for Losses or Adjustments With Respect to Capital Assets		6,994,907.76
Reserve (appropriated from Capital Surplus)		281,378.26
Capital Surplus (see Note 6)		198.92
Earned Surplus (restricted as to dividends)		12,653,489.55
Total		$119,221,104.01

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended June 30		Twelve Months Ended June 30	
	1944	1943	1944	1943
INCOME:				
From Subsidiaries—Consolidated	$ 524,201	$ 114,507	$1,583,063	$1,018,199
Other	—	146,098	864	474,364
TOTAL INCOME	$ 524,201	$ 260,605	$1,583,927	$1,492,563
EXPENSES:				
Expenses, excluding Taxes	$ 82,178	$ 95,779	$ 335,617	$ 349,480
Taxes, excluding Federal income:				
Federal	43	2,456	3,346	45,977*
Other	4,648	4,857	18,732	24,482
TOTAL EXPENSES	$ 86,869	$ 103,092	$ 357,695	$ 327,985
NET OPERATING INCOME	$ 437,332	$ 157,513	$1,226,232	$1,164,578
INTEREST AND OTHER DEDUCTIONS FROM INCOME	—	342	728	4,717
BALANCE	$ 437,332	$ 157,171	$1,225,504	$1,159,861
FEDERAL INCOME TAX	16,000	6,899	50,700	49,099
NET INCOME	$ 421,332	$ 150,272	$1,174,804	$1,110,762

*Net credit after adjustment of $51,875 overprovision for Federal capital stock tax applicable to the six months ended June 30, 1942.

Summary of Earned Surplus
For the Twelve Months Ended June 30, 1944

EARNED SURPLUS, JULY 1, 1943 (all restricted as to common dividends, and $9,221,563.46 restricted as to preferred dividends)	$11,553,945.34
ADD:	
Net income for the twelve months ended June 30, 1944	1,174,803.87
Excess of proceeds of sale of investment in The Memphis Street Railway Company preferred stock over ledger value thereof	18,129.75
Miscellaneous adjustments	337.05
TOTAL	$12,747,216.01
DEDUCT:	
Premium and expenses in connection with retirement of $6 preferred stock	$ 45,195.92
Interest to maturity (July 1, 1951) on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds	9,291.67
Trustee fees in connection with the satisfaction of Lancaster County Railway and Light Company mortgage	1,185.00
Additional expenses in connection with sale of 242,664 shares of Houston Lighting & Power Company common stock	1,407.53
Miscellaneous adjustments	646.34
Dividend appropriations—$6 preferred stock	36,000.00
TOTAL DEDUCTIONS	$ 93,726.46
EARNED SURPLUS, JUNE 30, 1944 (restricted as to dividends)	$12,653,489.55

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended June 30		Twelve Months Ended June 30	
	1944	1943	1944	1943
Subsidiaries				
Operating Revenues	$20,687,242	$19,981,261	$84,632,532	$87,198,303
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,695,745	$ 9,957,566	$43,462,181	$41,671,091
Direct Taxes:				
Federal	3,021,469	2,792,568	12,359,134	13,290,887
Other	1,105,045	1,302,411	4,602,474	5,289,679
Property Retirement Reserve Appropriations	1,633,567	1,577,028	6,404,681	6,751,834
Total Operating Revenue Deductions	$16,455,826	$15,629,573	$66,828,470	$67,003,491
Net Operating Revenues	$ 4,231,416	$ 4,351,688	$17,804,062	$20,194,812
Rent from Lease of Plants (Net)	4,642	4,103	20,932	18,805
Operating Income	$ 4,236,058	$ 4,355,791	$17,824,994	$20,213,617
Other Income	$ 43,302	$ 37,179	$ 148,244	$ 112,791
Other Income Deductions	11,316	11,400	44,249	47,016
Other Income (Net)	$ 31,986	$ 25,779	$ 103,995	$ 65,775
Gross Income	$ 4,268,044	$ 4,381,570	$17,928,989	$20,279,392
Interest to Public and Other Deductions	$ 2,075,803	$ 2,066,596	$ 8,319,712	$ 8,807,480
Less Interest charged to Construction	2,201	82,571	59,136	310,161
Net Interest to Public and Other Deductions	$ 2,073,602	$ 1,984,025	$ 8,260,576	$ 8,497,319
Balance	$ 2,194,442	$ 2,397,545	$ 9,668,413	$11,782,073
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,304,303	1,322,666	5,269,604	5,428,372
Balance	$ 890,139	$ 1,074,879	$ 4,398,809	$ 6,353,701
Portion applicable to Minority Interests	419	2,288	1,269	503,269
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 889,720	$ 1,072,591	$ 4,397,540	$ 5,850,432
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 889,720	$ 1,072,591	$ 4,397,540	$ 5,850,432
Other Income	.....	146,098	864	474,364
Total	$ 889,720	$ 1,218,689	$ 4,398,404	$ 6,324,796
Expenses, excluding Taxes	$ 82,178	$ 95,779	$ 335,617	$ 349,480
Taxes, excluding Federal income:				
Federal	43	2,456	3,346	45,977*
Other	4,648	4,857	18,732	24,482
Total Expenses	$ 86,869	$ 103,092	$ 357,695	$ 327,985
Balance	$ 802,851	$ 1,115,597	$ 4,040,709	$ 5,996,811
Interest and Other Deductions	.....	342	728	4,717
Balance	$ 802,851	$ 1,115,255	$ 4,039,981	$ 5,992,094
Federal Income Tax	16,000	6,899	50,700	49,099
Balance Carried to Consolidated Earned Surplus	$ 786,851	$ 1,108,356	$ 3,989,281	$ 5,942,995

*Net credit after adjustment of $51,875 overprovision for Federal capital stock tax applicable to the six months ended June 30, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of June 1944 and 1943

	1944	1943
Operating Revenues	$6,909,143	$6,685,636
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,707,471	$3,347,376
Direct Taxes:		
Federal	897,147	896,153
Other	375,758	406,090
Property Retirement Reserve Appropriations	537,541	530,791
Total Operating Revenue Deductions	$5,517,917	$5,180,410
Net Operating Revenues	$1,391,226	$1,505,226

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Comission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order. A tentative plan for dissolution was submitted to the Commission on October 13, 1941, and on May 12, 1942, such plan modified and brought down to date was filed with the Commission which, from time to time, has been further amended.

Pursuant thereto and in compliance with said order, after appropriate corporate action and approval of regulatory authorities, the Company disposed of its investments in Houston Lighting & Power Company, West Tennessee Gas Company (subsidiaries), and minor other securities.

Pursuant to an order of the Securities and Exchange Commission dated March 21, 1944, making effective the terms of an application or declaration, as amended, filed jointly by National Power & Light Company and Birmingham Electric Company, the former surrendered on May 15, 1944 to the latter (a) its right to receive from Birmingham certain junior securities in the amount of $2,384,540.00 and (b) 800,000 shares common stock of Birmingham in exchange for 545,610 shares of said stock issued in lieu thereof (with no change in the ledger value of National's investment in Birmingham), and Birmingham made adjustments substantially affecting its plant, capital stock, surplus and other accounts.

2. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of original cost (defined by the systems as "the cost of such property to the person first devoting it to public service"). Subsidiaries subject to such requirements, except Pennsylvania Power & Light Company and Lehigh Valley Transit Company, in complying therewith have been required to make substantial adjustments to plant and property, surplus and other accounts. Pennsylvania Power & Light Company may be required to make substantial adjustments to its plant and property, surplus and other accounts, but pending final determination of controversial matters, it is impossible to determine the full effect upon the accounts of the company. Lehigh Valley Transit Company contemplates in connection with the liquidation plan of National Power & Light Company a study and reclassification of its plant, property, and equipment accounts and those of its subsidiaries since organization, which is expected to result in substantial accounting adjustments affecting plant, property retirement reserve, surplus and other accounts.

The operating subsidiaries have followed generally the retirement reserve method of providing for retirements of property, and from time to time have increased considerably the provisions for property retirement. While those provisions do not purport to be calculated on the basis of specific formulae for the determination of loss in service value of depreciable property, the operating subsidiaries believe that the provision for the current period is adequate to meet the applicable requirements of the system of accounts prescribed by regulatory authority.

3. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania

Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock (the restriction applicable to the payment of dividends by Birmingham Electric Company was rescinded by an order of the Commission dated March 21, 1944), and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended June 30		Twelve Months Ended June 30	
	1944	1943	1944	1943
Birmingham Electric Company	$368,000.00	None	$368,000.00	None
Carolina Power & Light Company	150,042.75	None	807,633.18	None
Pennsylvania Power & Light Company	None	$75,163.00	319,442.75	$375,815.00
Total	$518,042.75	$75,163.00	$1,495,075.93	$375,815.00

4. Investment securities and advances are stated on the basis of the Company's valuations of securities acquired for securities issued and on the basis of cash costs, less net proceeds received and other credits arising through disposal of investments included in group valuations. Losses or gains arising through the disposal of bonds and other investments included in group valuations—undeterminable in the absence of individual valuations—are included in ledger value.

5. Arrangements are being made for the distribution to the former holders of preferred stock of Tennessee Public Service Company (National owned about 85% of this stock) of the net distributable amount in the liquidation account. Assuming that the balance shown had been distributed as of June 30, 1944, National would have had net current assets of $691,044, instead of $410,588 as shown.

6. Capital surplus at June 30, 1944, in the amount of $198.92 represents the excess of stated value of 17 shares of common stock reacquired over the cost thereof.

7. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statement of consolidated income, the Federal taxes for the twelve months ended June 30, 1943 would have been approximately $550,000 more than shown.

8. The provisions for Federal and State (where applicable) taxes on income cover maximum indicated requirements and are subject to adjustments which may result in substantial reductions when the liability for such taxes has been finally determined by tax authorities. The provisions for Federal taxes on income of Carolina Power & Light Company for the twelve months ended December 31, 1943 and 1942 take into account expected retroactive amendments to Section 710(a) (1) (B) of the Internal Revenue Code which, however, were not included in the Revenue Act of 1943 as enacted on February 25, 1944, and such provisions are therefore subject to reduction in the approximate amounts of $366,000 and $331,000 for the respective periods. During 1944, Pennsylvania Power & Light Company, prior to final determination by the tax authorities, made adjustments of approximately $2,000,000 which were credited to earned surplus and reduced unused provisions for the years 1940, 1941, 1942, and 1943 in the respective amounts of $30,000, $550,000, $1,050,000, and $370,000.

9. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

The accompanying consolidated statements do not include the operations of The Memphis Street Railway Company, the entire outstanding common stock of which was intercompany owned at June 30, 1944, and carried at $1.00. Until April 1, 1943, that company was under control of non-affiliated voting trustees. The consolidated statements for one month, three months, and twelve months ended June 30, 1943, as previously published, have been adjusted to exclude the operations of that company. At June 30, 1944, based on unaudited statements, the company had a deficit of $987,122.51 after net income for the twelve months ended June 30, 1944, of $555,323.34 and $79,500.48 discount on bonds reacquired, etc., and had undeclared cumulative dividends of $477,620.00 on preferred stock, all of which was held by the public; and any distribution of its income was restricted until fulfillment of certain sinking fund requirements relating to outstanding bonds. As stated in the 1943 Annual Report of the Company the bonds of The Memphis Street Railway Company mature October 1, 1945, and the franchise expires in November of the same year. In April and May, 1944, the holdings of National Power & Light Company and Memphis Generating Company, a subsidiary, in the preferred stock of The Memphis Street Railway Company were sold.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK 4

Accountants' Certificate

NATIONAL POWER & LIGHT COMPANY,
2 Rector Street,
New York 6.

We have examined the balance sheet of National Power & Light Company as of June 30, 1944 and the related statement of income for the three-month and twelve-month periods ended June 30, 1944 and 1943 and summary of earned surplus for the twelve months ended June 30, 1944, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. We have previously made similar examinations since January 1, 1924.

We have also examined the statement of consolidated income of National Power & Light Company and subsidiaries for the three-month and twelve-month periods ended June 30, 1944 and 1943 and statement of consolidated operating income of subsidiaries for the month of June 1944 and 1943. While we have not examined the accounts of the subsidiaries for the six months ended June 30, 1944 we have previously examined them (with minor exceptions) annually from January 1, 1932 to December 31, 1943 and have reviewed their reports for the six months ended June 30, 1944 and compared the figures used in the preparation of the consolidated statements with the records of the parent company and with such reports.

The accounts of the companies are subject to the effect, not now fully determinable, of final determination of matters pending before regulatory authorities referred to in notes to financial statements. Losses or gains arising through disposal of assets included in group valuations—undeterminable in the absence of individual valuations—are included in the companies' ledger value of assets. We are not in a position to express an opinion as to the adequacy of the companies' property retirement reserves.

In our opinion, subject to the comments in the preceding paragraph, the accompanying balance sheet and related statement of income and summary of earned surplus of National Power & Light Company fairly present the financial condition of that company at June 30, 1944 and the results of its operations for the three-month and twelve-month periods ended June 30, 1944 and 1943, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year. As to the statements of consolidated income, which are also subject to the comments in the preceding paragraph, they have, in our opinion, based on the examinations outlined in the second paragraph, been properly compiled.

HASKINS & SELLS
Certified Public Accountants

New York,
August 10, 1944.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

July 31, 1944

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended July 31		Twelve Months Ended July 31	
	1944	1943	1944	1943
INCOME:				
From Subsidiaries—Consolidated	$524,201	$109,703	$1,583,063	$ 903,756
Other	.....	73,180	737	472,521
TOTAL INCOME	$524,201	$182,883	$1,583,800	$1,376,277
EXPENSES:				
Expenses, excluding Taxes	$ 81,600	$ 94,247	$ 331,205	$ 350,553
Taxes, excluding Federal income:				
Federal	73*	1,862	3,859	55,191**
Other	5,952	4,782	20,411	23,578
TOTAL EXPENSES	$ 87,479	$100,891	$ 355,475	$ 318,940
NET OPERATING INCOME	$436,722	$ 81,992	$1,228,325	$1,057,337
INTEREST AND OTHER DEDUCTIONS FROM INCOME	.....	325	620	3,530
BALANCE	$436,722	$ 81,667	$1,227,705	$1,053,807
FEDERAL INCOME TAX	16,000	3,599	50,700	44,199
NET INCOME	$420,722	$ 78,068	$1,177,005	$1,009,608

*Indicates red figure.

**Net credit after adjustment of $60,521 overprovision for Federal capital stock tax applicable to the seven months ended July 31, 1942.

Summary of Earned Surplus

For the Twelve Months Ended July 31, 1944

EARNED SURPLUS, AUGUST 1, 1943 (all restricted as to common dividends, and $9,221,316.45 restricted as to preferred dividends)	$11,531,282.61
ADD:	
Net income for the twelve months ended July 31, 1944	1,177,004.91
Excess of proceeds of sale of investment in The Memphis Street Railway Company preferred stock over ledger value thereof	18,129.75
Miscellaneous adjustments	270.35
TOTAL	$12,726,687.62
DEDUCT:	
Premium and expenses in connection with retirement of $6 preferred stock	$ 44,956.44
Interest to maturity (July 1, 1951) on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds	9,291.67
Trustee fees in connection with the satisfaction of Lancaster County Railway and Light Company mortgage	1,185.00
Additional expenses in connection with sale of 242,664 shares of Houston Lighting & Power Company common stock	1,400.00
Miscellaneous adjustments	646.34
Dividend appropriations—$6 preferred stock	36,000.00
TOTAL DEDUCTIONS	$ 93,479.45
EARNED SURPLUS, JULY 31, 1944 (restricted as to dividends)	$12,633,208.17

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended July 31		Twelve Months Ended July 31	
Subsidiaries	1944	1943	1944	1943
Operating Revenues	$20,524,954	$19,985,514	$84,763,357	$86,329,217
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$10,921,682	$10,028,041	$43,794,653	$41,390,595
Direct Taxes:				
Federal	2,598,002	2,692,098	12,247,676	12,880,677
Other	1,123,253	1,279,682	4,550,812	5,244,527
Property Retirement Reserve Appropriations	1,628,911	1,583,238	6,421,050	6,733,039
Total Operating Revenue Deductions	$16,271,848	$15,583,059	$67,014,191	$66,248,838
Net Operating Revenues	$ 4,253,106	$ 4,402,455	$17,749,166	$20,080,379
Rent from Lease of Plants (Net)	4,642	4,758	20,515	19,398
Operating Income	$ 4,257,748	$ 4,407,213	$17,769,681	$20,099,777
Other Income	$ 45,197	$ 42,895	$ 153,573	$ 114,885
Other Income Deductions	12,798	11,704	44,829	47,001
Other Income (Net)	$ 32,399	$ 31,191	$ 108,744	$ 67,884
Gross Income	$ 4,290,147	$ 4,438,404	$17,878,425	$20,167,661
Interest to Public and Other Deductions	$ 2,070,350	$ 2,062,831	$ 8,321,396	$ 8,703,927
Less Interest charged to Construction	2,909	79,936	32,851	319,474
Net Interest to Public and Other Deductions	$ 2,067,441	$ 1,982,895	$ 8,288,545	$ 8,384,453
Balance	$ 2,222,706	$ 2,455,509	$ 9,589,880	$11,783,208
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,304,303	1,322,363	5,263,822	5,400,554
Balance	$ 918,403	$ 1,133,146	$ 4,326,058	$ 6,382,654
Portion applicable to Minority Interests	501	2,021	1,256	439,141
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 917,902	$ 1,131,125	$ 4,324,802	$ 5,943,513
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 917,902	$ 1,131,125	$ 4,324,802	$ 5,943,513
Other Income	.....	73,180	737	472,521
Total	$ 917,902	$ 1,204,305	$ 4,325,539	$ 6,416,034
Expenses, excluding Taxes	$ 81,600	$ 94,247	$ 331,205	$ 350,553
Taxes, excluding Federal income:				
Federal	73*	1,862	3,859	55,191**
Other	5,952	4,782	20,411	23,578
Total Expenses	$ 87,479	$ 100,891	$ 355,475	$ 318,940
Balance	$ 830,423	$ 1,103,414	$ 3,970,064	$ 6,097,094
Interest and Other Deductions	.....	325	620	3,530
Balance	$ 830,423	$ 1,103,089	$ 3,969,444	$ 6,093,564
Federal Income Tax	16,000	3,599	50,700	44,199
Balance Carried to Consolidated Earned Surplus	$ 814,423	$ 1,099,490	$ 3,918,744	$ 6,049,365

*Indicates red figure.

**Net credit after adjustment of $60,521 overprovision for Federal capital stock tax applicable to the seven months ended July 31, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of July 1944 and 1943

	1944	1943
Operating Revenues	$6,843,263	$6,712,438
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,669,247	$3,336,776
Direct Taxes:		
Federal	816,903	928,381
Other	366,991	418,633
Property Retirement Reserve Appropriations	543,323	526,953
Total Operating Revenue Deductions	$5,396,464	$5,210,743
Net Operating Revenues	$1,446,799	$1,501,695

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order. A tentative plan for dissolution was submitted to the Commission on October 13, 1941, and on May 12, 1942, such plan modified and brought down to date was filed with the Commission which, from time to time, has been further amended.

Pursuant thereto and in compliance with said order, after appropriate corporate action and approval of regulatory authorities, the Company disposed of its investments in Houston Lighting & Power Company, West Tennessee Gas Company (subsidiaries), and minor other securities.

2. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of original cost (defined by the systems as "the cost of such property to the person first devoting it to public service"). Subsidiaries subject to such requirements, except Pennsylvania Power & Light Company and Lehigh Valley Transit Company, in complying therewith have been required to make substantial adjustments to plant and property, surplus and other accounts. Pennsylvania Power & Light Company may be required to make substantial adjustments to its plant and property, surplus and other accounts, but pending final determination of controversial matters, it is impossible to determine the full effect upon the accounts of the company. Lehigh Valley Transit Company contemplates in connection with the liquidation plan of National Power & Light Company a study and reclassification of its plant, property, and equipment accounts and those of its subsidiaries since organization, which is expected to result in substantial accounting adjustments affecting plant, property retirement reserve, surplus and other accounts.

The operating subsidiaries have followed generally the retirement reserve method of providing for retirements of property, and from time to time have increased considerably the provisions for property retirement. While those provisions do not purport to be calculated on the basis of specific formulae for the determination of loss in service value of depreciable property, the operating subsidiaries believe that the provision for the current period is adequate to meet the applicable requirements of the system of accounts prescribed by regulatory authority.

3. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock (the restriction applicable to the payment of dividends by Birmingham Electric Company was rescinded by an order of the Commission dated March 21, 1944), and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended July 31		Twelve Months Ended July 31	
	1944	1943	1944	1943
Birmingham Electric Company	$368,000.00	None	$ 368,000.00	None
Carolina Power & Light Company	150,042.75	None	807,633.18	None
Pennsylvania Power & Light Company	None	$75,163.00	319,442.75	$375,815.00
Total	$518,042.75	$75,163.00	$1,495,075.93	$375,815.00

4. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statement of consolidated income, the Federal taxes for the twelve months ended July 31, 1943, would have been approximately $668,000 more than shown.

5. The provisions for Federal and State (where applicable) taxes on income cover maximum indicated requirements and are subject to adjustments which may result in substantial reductions when the liability for such taxes has been finally determined by tax authorities. The provisions for Federal taxes on income of Carolina Power & Light Company for the twelve months ended December 31, 1943 and 1942 take into account expected retroactive amendments to Section 710(a) (1) (B) of the Internal Revenue Code which, however, were not included in the Revenue Act of 1943 as enacted on February 25, 1944, and such provisions are therefore subject to reduction in the approximate amounts of $366,000 and $331,000 for the respective periods. During 1944, Pennsylvania Power & Light Company, prior to final determination by the tax authorities, made adjustments of approximately $2,000,000 which were credited to earned surplus and reduced unused provisions for the years 1940, 1941, 1942, and 1943 in the respective amounts of $30,000, $550,000, $1,050,000, and $370,000.

6. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

The accompanying consolidated statements do not include the operations of The Memphis Street Railway Company, the entire outstanding common stock of which was intercompany owned at July 31, 1944, and carried at $1.00. Until April 1, 1943, that company was under control of non-affiliated voting trustees. The consolidated statements for one month, three months, and twelve months ended July 31, 1943, as previously published, have been adjusted to exclude the operations of that company. At July 31, 1944, the company had a deficit of $946,503.79 after net income for the twelve months ended July 31, 1944, of $522,441.84 and $15,348.48 discount on bonds reacquired, etc., and had undeclared cumulative dividends of $484,856.67 on preferred stock, all of which was held by the public; and any distribution of its income was restricted until fulfillment of certain sinking fund requirements relating to outstanding bonds. As stated in the 1943 Annual Report of the Company the bonds of The Memphis Street Railway Company mature October 1, 1945, and the franchise expires in November of the same year. In April and May, 1944, the holdings of National Power & Light Company and Memphis Generating Company, a subsidiary, in the preferred stock of The Memphis Street Railway Company were sold.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

September 30, 1944

National Power & Light Company

Two Rector Street, New York 6

BOARD OF DIRECTORS

C. H. Achenbach	*New York*
Paul H. Saunders	*New Orleans, La.*
P. B. Sawyer	*New York*
Alexander Simpson	*New York*
Raymond H. Smith	*New York*
Robert V. White	*Philadelphia, Pa.*

OFFICERS

P. B. Sawyer	*President*
Raymond H. Smith	*Vice-President*
Alexander Simpson	*Secretary and Treasurer*
C. H. Achenbach	*Assistant Secretary and Assistant Treasurer*
O. E. Anderson	*Assistant Secretary and Assistant Treasurer*

National Power & Light Company

(Incorporated in New Jersey)

Balance Sheet

September 30, 1944

Assets

Investment Securities and Advances—Subsidiaries—Consolidated		$117,966,216.63
Current Assets:		
Cash in Banks—On Demand	$266,795.86	
Special Cash Deposits	388,156.13	
Temporary Cash Investments—U. S. Treasury Bills	499,776.38	
Dividends Receivable—Subsidiaries—Consolidated	150,042.75	
Other Current Assets	750.00	
Total Current Assets		1,305,521.12
Deferred Charges:		
Liquidation Account—Memphis Power & Light Company	$ 2,392.76	
Other	3,632.49	
Total Deferred Charges		6,025.25
Reacquired Capital Stock (17 shares common stock)		306.77
Total		$119,278,069.77

Liabilities

Capital Stock (no par value):		
$7 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $6 Preferred; authorized, 9,063 shares; outstanding, none		—
$6 Preferred, cumulative (entitled upon liquidation to $100 a share); pari passu with $7 Preferred; authorized, 220,284 shares; outstanding, none		—
Common; authorized, 7,500,000 shares; outstanding (less 12,810 shares in treasury), 5,456,117 shares		$ 98,456,795.00
Current Liabilities:		
Accounts Payable	$ 32,174.32	
Accrued Taxes	73,216.01	
Liquidation Account—Tennessee Public Service Company	328,531.40	
Long-Term Debt Called for Redemption, Including Premium and Interest (cash in special deposits)	185,808.55	
$6 Preferred Stock Retirement Account, Including Accumulated Dividends (cash in special deposits)	202,305.50	
Total Current Liabilities		822,035.78
Reserve for Losses or Adjustments With Respect to Capital Assets		6,994,907.76
Reserve (appropriated from Capital Surplus)		281,378.26
Capital Surplus (see Note 6)		198.92
Earned Surplus (restricted as to dividends)		12,722,754.05
Total		$119,278,069.77

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended September 30		Twelve Months Ended September 30	
	1944	1943	1944	1943
INCOME:				
From Subsidiaries—Consolidated	$ 160,512	$ 147,082	$1,596,492	$ 810,627
Other	151	381	634	470,329
TOTAL INCOME	$ 160,663	$ 147,463	$1,597,126	$1,280,956
EXPENSES:				
Expenses, excluding Taxes	$ 82,340	$ 94,649	$ 323,307	$ 349,673
Taxes, excluding Federal income:				
Federal	939	644	3,641	72,381*
Other	5,819	4,729	19,823	21,802
TOTAL EXPENSES	$ 89,098	$ 100,022	$ 346,771	$ 299,094
NET OPERATING INCOME	$ 71,565	$ 47,441	$1,250,355	$ 981,862
INTEREST AND OTHER DEDUCTIONS FROM INCOME	—	321	407	2,149
BALANCE	$ 71,565	$ 47,120	$1,249,948	$ 979,713
FEDERAL INCOME TAX	2,300	—	53,000	39,299
NET INCOME	$ 69,265	$ 47,120	$1,196,948	$ 940,414

*Net credit after adjustment of $77,812 overprovision for Federal capital stock tax applicable to the nine months ended September 30, 1942.

Summary of Earned Surplus

For the Twelve Months Ended September 30, 1944

EARNED SURPLUS, OCTOBER 1, 1943 (all restricted as to common dividends, and $9,211,573.25 restricted as to preferred dividends)	$11,573,142.13
ADD:	
Net income for the twelve months ended September 30, 1944	1,196,948.07
Excess of proceeds of sale of investment in The Memphis Street Railway Company preferred stock over ledger value thereof	18,129.75
Miscellaneous adjustments	270.35
TOTAL	$12,788,490.30
DEDUCT:	
Premium and expenses in connection with retirement of $6 preferred stock	$ 37,259.58
Interest to maturity (July 1, 1951) on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds	9,291.67
Trustee fees in connection with the satisfaction of Lancaster County Railway and Light Company mortgage	1,185.00
Dividend appropriations—$6 preferred stock	18,000.00
TOTAL DEDUCTIONS	$ 65,736.25
EARNED SURPLUS, SEPTEMBER 30, 1944 (restricted as to dividends)	$12,722,754.05

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended September 30		Twelve Months Ended September 30	
	1944	1943	1944	1943
Subsidiaries				
Operating Revenues	$20,899,408	$20,638,619	$84,893,321	$84,291,587
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$11,207,981	$10,412,346	$44,257,816	$41,084,958
Direct Taxes:				
Federal	2,571,531	2,893,853	12,036,833	11,846,007
Other	1,112,969	1,277,741	4,437,681	5,112,590
Property Retirement Reserve Appropriations	1,630,658	1,578,073	6,457,266	6,685,234
Total Operating Revenue Deductions	$16,523,139	$16,162,013	$67,189,596	$64,728,789
Net Operating Revenues	$ 4,376,269	$ 4,476,606	$17,703,725	$19,562,798
Rent from Lease of Plants (Net)	4,584	6,956	18,560	21,595
Operating Income	$ 4,380,853	$ 4,483,562	$17,722,285	$19,584,393
Other Income	$ 50,728	$ 36,298	$ 162,673	$ 120,195
Other Income Deductions	11,765	10,867	45,145	47,798
Other Income (Net)	$ 38,963	$ 25,431	$ 117,528	$ 72,397
Gross Income	$ 4,419,816	$ 4,508,993	$17,839,813	$19,656,790
Interest to Public and Other Deductions	$ 2,059,812	$ 2,065,756	$ 8,313,769	$ 8,504,278
Less Interest charged to Construction	2,538	51,680	9,994	287,418
Net Interest to Public and Other Deductions	$ 2,057,274	$ 2,014,076	$ 8,303,775	$ 8,216,860
Balance	$ 2,362,542	$ 2,494,917	$ 9,536,038	$11,439,930
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,304,303	1,321,794	5,252,212	5,344,962
Balance	$ 1,058,239	$ 1,173,123	$ 4,283,826	$ 6,094,968
Portion applicable to Minority Interests	609	1,186	1,434	262,190
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 1,057,630	$ 1,171,937	$ 4,282,392	$ 5,832,778
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 1,057,630	$ 1,171,937	$ 4,282,392	$ 5,832,778
Other Income	151	381	634	470,329
Total	$ 1,057,781	$ 1,172,318	$ 4,283,026	$ 6,303,107
Expenses, excluding Taxes	$ 82,340	$ 94,649	$ 323,307	$ 349,673
Taxes, excluding Federal income:				
Federal	939	644	3,641	72,381*
Other	5,819	4,729	19,823	21,802
Total Expenses	$ 89,098	$ 100,022	$ 346,771	$ 299,094
Balance	$ 968,683	$ 1,072,296	$ 3,936,255	$ 6,004,013
Interest and Other Deductions	—	321	407	2,149
Balance	$ 968,683	$ 1,071,975	$ 3,935,848	$ 6,001,864
Federal Income Tax	2,300	—	53,000	39,299
Balance Carried to Consolidated Earned Surplus	$ 966,383	$ 1,071,975	$ 3,882,848	$ 5,962,565

*Net credit after adjustment of $77,812 overprovision for Federal capital stock tax applicable to the nine months ended September 30, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of September 1944 and 1943

	1944	1943
Operating Revenues	$7,129,860	$7,095,215
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,779,543	$3,654,520
Direct Taxes:		
Federal	953,024	1,016,981
Other	375,228	427,644
Property Retirement Reserve Appropriations	546,571	523,937
Total Operating Revenue Deductions	$5,654,366	$5,623,082
Net Operating Revenues	$1,475,494	$1,472,133

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order. A tentative plan for dissolution was submitted to the Commission on October 13, 1941, and on May 12, 1942, such plan modified and brought down to date was filed with the Commission which, from time to time, has been further amended.

Pursuant thereto and in compliance with said order, after appropriate corporate action and approval of regulatory authorities, the Company disposed of its investments in Houston Lighting & Power Company, West Tennessee Gas Company (subsidiaries), and minor other securities.

2. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of original cost (defined by the systems as "the cost of such property to the person first devoting it to public service"). Subsidiaries subject to such requirements, except Pennsylvania Power & Light Company and Lehigh Valley Transit Company, in complying therewith have been required to make substantial adjustments to plant and property, surplus and other accounts. Pennsylvania Power & Light Company may be required to make substantial adjustments to its plant and property, surplus and other accounts, but pending final determination of controversial matters, it is impossible to determine the full effect upon the accounts of the company. Lehigh Valley Transit Company contemplates in connection with the liquidation plan of National Power & Light Company a study and reclassification of its plant, property, and equipment accounts and those of its subsidiaries since organization, which is expected to result in substantial accounting adjustments affecting plant, property retirement reserve, surplus and other accounts.

The operating subsidiaries have followed generally the retirement reserve method of providing for retirements of property, and from time to time have increased considerably the provisions for property retirement. While those provisions do not purport to be calculated on the basis of specific formulae for the determination of loss in service value of depreciable property, the operating subsidiaries believe that the provision for the current period is adequate to meet the applicable requirements of the system of accounts prescribed by regulatory authority.

3. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its

common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock (the restriction applicable to the payment of dividends by Birmingham Electric Company was rescinded by an order of the Commission dated March 21, 1944), and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended September 30		Twelve Months Ended September 30	
	1944	1943	1944	1943
Birmingham Electric Company	None	None	$368,000.00	None
Carolina Power & Light Company	$150,042.75	None	957,675.93	None
Pennsylvania Power & Light Company	None	$112,744.50	206,698.25	$488,559.50
Total	$150,042.75	$112,744.50	$1,532,374.18	$488,559.50

4. Investment securities and advances are stated on the basis of the Company's valuations of securities acquired for securities issued and on the basis of cash costs, less net proceeds received and other credits arising through disposal of investments included in group valuations. Losses or gains arising through the disposal of bonds and other investments included in group valuations—undeterminable in the absence of individual valuations—are included in ledger value.

5. Arrangements are being made for the distribution to the former holders of preferred stock of Tennessee Public Service Company (National owned about 85% of this stock) of the net distributable amount in the liquidation account. Assuming that the balance shown had been distributed as of September 30, 1944, National would have had net current assets of $763,925, instead of $483,485 as shown.

6. Capital surplus at September 30, 1944, in the amount of $198.92 represents the excess of stated value of 17 shares of common stock reacquired over the cost thereof.

7. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statement of consolidated income, the Federal taxes for the twelve months ended September 30, 1943 would have been approximately $1,000,000 more than shown.

8. The provisions for Federal and State (where applicable) taxes on income cover maximum indicated requirements and are subject to adjustments which may result in substantial reductions when the liability for such taxes has been finally determined by tax authorities. During 1944, prior to final determination by the tax authorities, subsidiaries made adjustments of approximately $2,697,000 which were credited to earned surplus and reduced unused provisions for the years 1940, 1941, 1942, and 1943 in the respective amounts of $30,000, $550,000, $1,381,000, and $736,000.

9. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

The accompanying consolidated statements do not include the operations of The Memphis Street Railway Company, the entire outstanding common stock of which was intercompany owned at September 30, 1944, and carried at $1.00. Until April 1, 1943, that company was under control of non-affiliated voting trustees. The consolidated statements for one month, three months, and twelve months ended September 30, 1943, as previously published, have been adjusted to exclude the operations of that company. At September 30, 1944, based on unaudited statements, the company had a deficit of $870,072.96 after net income for the twelve months ended September 30, 1944, of $444,084.60 and $40,770.85 discount on bonds reacquired, etc., and had undeclared cumulative dividends of $499,330.00 on preferred stock, all of which was held by the public; and any distribution of its income was restricted until fulfillment of certain sinking fund requirements relating to outstanding bonds. As stated in the 1943 Annual Report of the Company the bonds of The Memphis Street Railway Company mature October 1, 1945, and the franchise expires in November of the same year. In April and May, 1944, the holdings of National Power & Light Company and Memphis Generating Company, a subsidiary, in the preferred stock of The Memphis Street Railway Company were sold.

HASKINS & SELLS
CERTIFIED PUBLIC ACCOUNTANTS

67 BROAD STREET
NEW YORK 4

Accountants' Certificate

NATIONAL POWER & LIGHT COMPANY,
2 Rector Street,
New York 6.

We have examined the balance sheet of National Power & Light Company as of September 30, 1944 and the related statement of income for the three-month and twelve-month periods ended September 30, 1944 and 1943 and summary of earned surplus for the twelve months ended September 30, 1944, have reviewed the accounting procedures of the Company, and have examined its accounting records and other evidence in support of such financial statements. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all auditing procedures we considered necessary, which procedures were applied by tests to the extent we deemed appropriate in view of the system of internal control. We have previously made similar examinations since January 1, 1924.

We have also examined the statement of consolidated income of National Power & Light Company and subsidiaries for the three-month and twelve-month periods ended September 30, 1944 and 1943 and statement of consolidated operating income of subsidiaries for the month of September 1944 and 1943. While we have not examined the accounts of the subsidiaries for the nine months ended September 30, 1944 we have previously examined them (with minor exceptions) annually from January 1, 1932 to December 31, 1943 and have reviewed their reports for the nine months ended September 30, 1944 and compared the figures used in the preparation of the consolidated statements with the records of the parent company and with such reports.

The accounts of the companies are subject to the effect, not now fully determinable, of final determination of matters pending before regulatory authorities referred to in notes to financial statements. Losses or gains arising through disposal of assets included in group valuations—undeterminable in the absence of individual valuations—are included in the companies' ledger value of assets. We are not in a position to express an opinion as to the adequacy of the companies' property retirement reserves.

In our opinion, subject to the comments in the preceding paragraph, the accompanying balance sheet and related statement of income and summary of earned surplus of National Power & Light Company fairly present the financial condition of that company at September 30, 1944 and the results of its operations for the three-month and twelve-month periods ended September 30, 1944 and 1943, in conformity with generally accepted accounting principles and practices applied on a basis consistent with that of the preceding year. As to the statements of consolidated income, which are also subject to the comments in the preceding paragraph, they have, in our opinion, based on the examinations outlined in the second paragraph, been properly compiled.

HASKINS & SELLS
Certified Public Accountants

New York,
October 30, 1944.

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National Power & Light Company

TWO RECTOR STREET, NEW YORK 6

FINANCIAL STATEMENT

August 31, 1944

National Power & Light Company

Statement of Income and Summary of Earned Surplus

Comparative Statement of Income

	Three Months Ended August 31		Twelve Months Ended August 31	
	1944	1943	1944	1943
INCOME:				
From Subsidiaries—Consolidated	$150,042	$152,211	$1,465,391	$ 914,220
Other	5	381	615	471,020
TOTAL INCOME	$150,047	$152,592	$1,466,006	$1,385,240
EXPENSES:				
Expenses, excluding Taxes	$ 81,219	$ 88,234	$ 322,315	$ 342,573
Taxes, excluding Federal income:				
Federal	196*	1,882	3,740	63,780**
Other	5,898	4,801	20,091	22,716
TOTAL EXPENSES	$ 86,921	$ 94,917	$ 346,146	$ 301,509
NET OPERATING INCOME	$ 63,126	$ 57,675	$1,119,860	$1,083,731
INTEREST AND OTHER DEDUCTIONS FROM INCOME	.....	325	511	2,643
BALANCE	$ 63,126	$ 57,350	$1,119,349	$1,081,088
FEDERAL INCOME TAX	.....	2,301*	50,700	40,199
NET INCOME	$ 63,126	$ 59,651	$1,068,649	$1,040,889

*Indicates red figure.

**Net credit after adjustment of $69,167 overprovision for Federal capital stock tax applicable to the eight months ended August 31, 1942.

Summary of Earned Surplus

For the Twelve Months Ended August 31, 1944

EARNED SURPLUS, SEPTEMBER 1, 1943 (all restricted as to common dividends, and $9,213,619.59 restricted as to preferred dividends)	$11,613,469.05
ADD:	
Net income for the twelve months ended August 31, 1944	1,068,648.99
Excess of proceeds of sale of investment in The Memphis Street Railway Company preferred stock over ledger value thereof	18,129.75
Miscellaneous adjustments	270.35
TOTAL	$12,700,518.14
DEDUCT:	
Premium and expenses in connection with retirement of $6 preferred stock	$ 37,259.58
Interest to maturity (July 1, 1951) on Lancaster County Railway and Light Company 5% collateral trust mortgage gold bonds	9,291.67
Trustee fees in connection with the satisfaction of Lancaster County Railway and Light Company mortgage	1,185.00
Additional expenses in connection with sale of 242,664 shares of Houston Lighting & Power Company common stock	1,400.00
Miscellaneous adjustments	646.34
Dividend appropriations—$6 preferred stock	36,000.00
TOTAL DEDUCTIONS	$ 85,782.59
EARNED SURPLUS, AUGUST 31, 1944 (restricted as to dividends)	$12,614,735.55

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

National Power & Light Company

and Subsidiaries

Comparative Statement of Consolidated Income

	Three Months Ended August 31		Twelve Months Ended August 31	
Subsidiaries	1944	1943	1944	1943
Operating Revenues	$20,678,692	$20,229,039	$84,858,677	$85,157,192
Operating Revenue Deductions:				
Operating Expenses, excluding Direct Taxes	$11,135,909	$10,105,201	$44,132,794	$41,070,435
Direct Taxes:				
Federal	2,515,653	2,773,025	12,100,789	12,325,732
Other	1,113,499	1,256,186	4,490,098	5,163,184
Property Retirement Reserve Appropriations	1,621,628	1,584,928	6,434,632	6,711,826
Total Operating Revenue Deductions	$16,386,689	$15,719,340	$67,158,313	$65,271,177
Net Operating Revenues	$ 4,292,003	$ 4,509,699	$17,700,364	$19,886,015
Rent from Lease of Plants (Net)	4,681	4,767	20,648	19,430
Operating Income	$ 4,296,684	$ 4,514,466	$17,721,012	$19,905,445
Other Income	$ 49,609	$ 42,732	$ 160,165	$ 116,909
Other Income Deductions	12,988	12,436	44,626	47,649
Other Income (Net)	$ 36,621	$ 30,296	$ 115,539	$ 69,260
Gross Income	$ 4,333,305	$ 4,544,762	$17,836,551	$19,974,705
Interest to Public and Other Deductions	$ 2,064,458	$ 2,066,706	$ 8,314,667	$ 8,608,016
Less Interest charged to Construction	2,270	77,370	9,773	321,073
Net Interest to Public and Other Deductions	$ 2,062,188	$ 1,989,336	$ 8,304,894	$ 8,286,943
Balance	$ 2,271,117	$ 2,555,426	$ 9,531,657	$11,687,762
Preferred Dividends to Public (full dividend requirements applicable to respective periods whether earned or unearned)	1,304,303	1,322,049	5,258,045	5,372,730
Balance	$ 966,814	$ 1,233,377	$ 4,273,612	$ 6,315,032
Portion applicable to Minority Interests	596	1,771	1,314	354,690
Net Equity of National Power & Light Company in Income of Subsidiaries	$ 966,218	$ 1,231,606	$ 4,272,298	$ 5,960,342
National Power & Light Company				
Net Equity of National Power & Light Company in Income of Subsidiaries (as shown above)	$ 966,218	$ 1,231,606	$ 4,272,298	$ 5,960,342
Other Income	5	381	615	471,020
Total	$ 966,223	$ 1,231,987	$ 4,272,913	$ 6,431,362
Expenses, excluding Taxes	$ 81,219	$ 88,234	$ 322,315	$ 342,573
Taxes, excluding Federal income:				
Federal	196*	1,882	3,740	63,780**
Other	5,898	4,801	20,091	22,716
Total Expenses	$ 86,921	$ 94,917	$ 346,146	$ 301,509
Balance	$ 879,302	$ 1,137,070	$ 3,926,767	$ 6,129,853
Interest and Other Deductions	.....	325	511	2,643
Balance	$ 879,302	$ 1,136,745	$ 3,926,256	$ 6,127,210
Federal Income Tax	.....	2,301*	50,700	40,199
Balance Carried to Consolidated Earned Surplus	$ 879,302	$ 1,139,046	$ 3,875,556	$ 6,087,011

*Indicates red figure.

**Net credit after adjustment of $69,167 overprovision for Federal capital stock tax applicable to the eight months ended August 31, 1942.

The accompanying Notes to Financial Statements should be considered in conjunction with the above statement.

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National Power & Light Company

Operating Subsidiaries

Comparative Statement of Consolidated Operating Revenues, Operating Revenue Deductions and Net Operating Revenues of Subsidiaries Only, for the Month of August 1944 and 1943

	1944	1943
Operating Revenues	$6,926,286	$6,830,966
Operating Revenue Deductions:		
Operating Expenses, excluding Direct Taxes	$3,759,192	$3,421,049
Direct Taxes:		
Federal	801,604	948,492
Other	370,750	431,463
Property Retirement Reserve Appropriations	540,764	527,183
Total Operating Revenue Deductions	$5,472,310	$5,328,187
Net Operating Revenues	$1,453,976	$1,502,779

NOTES TO FINANCIAL STATEMENTS

1. On August 23, 1941, the Securities and Exchange Commission ordered that National Power & Light Company's existence be terminated and the Company dissolved. It further ordered that the Company and Electric Bond and Share Company proceed with due diligence to submit to the Commission a plan or plans for the prompt dissolution of the Company and take such further steps as may be necessary or appropriate to effectuate the order. A tentative plan for dissolution was submitted to the Commission on October 13, 1941, and on May 12, 1942, such plan modified and brought down to date was filed with the Commission which, from time to time, has been further amended.

Pursuant thereto and in compliance with said order, after appropriate corporate action and approval of regulatory authorities, the Company disposed of its investments in Houston Lighting & Power Company, West Tennessee Gas Company (subsidiaries), and minor other securities.

2. Systems of accounts prescribed by regulatory authorities for public utilities provide for depreciation accounting and reclassification of plant, property, and equipment (including intangibles) on the basis of original cost (defined by the systems as "the cost of such property to the person first devoting it to public service"). Subsidiaries subject to such requirements, except Pennsylvania Power & Light Company and Lehigh Valley Transit Company, in complying therewith have been required to make substantial adjustments to plant and property, surplus and other accounts. Pennsylvania Power & Light Company may be required to make substantial adjustments to its plant and property, surplus and other accounts, but pending final determination of controversial matters, it is impossible to determine the full effect upon the accounts of the company. Lehigh Valley Transit Company contemplates in connection with the liquidation plan of National Power & Light Company a study and reclassification of its plant, property, and equipment accounts and those of its subsidiaries since organization, which is expected to result in substantial accounting adjustments affecting plant, property retirement reserve, surplus and other accounts.

The operating subsidiaries have followed generally the retirement reserve method of providing for retirements of property, and from time to time have increased considerably the provisions for property retirement. While those provisions do not purport to be calculated on the basis of specific formulae for the determination of loss in service value of depreciable property, the operating subsidiaries believe that the provision for the current period is adequate to meet the applicable requirements of the system of accounts prescribed by regulatory authority.

3. In a proceeding pending before the Securities and Exchange Commission, under the Public Utility Holding Company Act of 1935, there are in question, among other things, restatement by Pennsylvania Power & Light Company, a subsidiary of this Company, of its plant and investment, surplus, capital, and other accounts and prohibition or restriction of dividends on its common stock. Hearing on this matter was held on October 13, 1941, and the Securities and Exchange Commission by Order dated November 3, 1941, continued hearings in the matter subject to its further order and reserved jurisdiction in the Commission to modify the Order upon motion of the Commission or upon application by any of the companies affected. The Commission's Order also provided that Pennsylvania Power & Light Company shall not, without further order of the Commission, declare or pay further dividends on its common stock in excess of 25% of the net earnings available for such common stock from and after June 1, 1941. The Commission's Order further provided that National Power & Light Company shall not, without further order of the Commission, cause or permit its subsidiary, Birmingham Electric Company, to declare or pay any dividends on its common stock (the restriction applicable to the payment of dividends by Birmingham Electric Company was rescinded by an order of the Commission dated March 21, 1944), and shall not cause or permit its subsidiary, Carolina Power & Light Company, to declare or pay further dividends on its common stock in excess of $600,000 per annum, plus 25% of the amount by which net earnings of Carolina Power & Light Company available for its common stock may exceed $1,250,000 per annum.

During the periods covered by the accompanying statements of income, the Company received dividends on the common stocks of the subsidiaries mentioned in the Orders of the Commission, as follows:

	Three Months Ended August 31		Twelve Months Ended August 31	
	1944	1943	1944	1943
Birmingham Electric Company	None	None	$ 368,000.00	None
Carolina Power & Light Company	$150,042.75	None	807,633.18	None
Pennsylvania Power & Light Company	None	$112,744.50	206,698.25	$488,559.50
Total	$150,042.75	$112,744.50	$1,382,331.43	$488,559.50

4. In 1942 there were over-accruals for Federal Income and Excess Profits Taxes in the first nine months. Appropriate credit adjustments were made for these over-accruals in the last three months. If retroactive effect were given to such adjustments in the accompanying statement of consolidated income, the Federal taxes for the twelve months ended August 31, 1943, would have been approximatly $856,000 more than shown.

5. The provisions for Federal and State (where applicable) taxes on income cover maximum indicated requirements and are subject to adjustments which may result in substantial reductions when the liability for such taxes has been finally determined by tax authorities. During 1944, prior to final determination by the tax authorities, subsidiaries made adjustments of approximately $2,697,000 which were credited to earned surplus and reduced unused provisions for the years 1940, 1941, 1942, and 1943 in the respective amounts of $30,000, $550,000, $1,381,000, and $736,000.

6. In the accompanying statement of consolidated income, the "Net Equity of National Power & Light Company in Income of Subsidiaries" includes interest and preferred dividends paid or earned on securities held, plus the proportion of earnings which accrued to common stocks held by National Power & Light Company, less losses where income accounts of individual subsidiaries have resulted in deficits for the respective periods.

The accompanying consolidated statements do not include the operations of The Memphis Street Railway Company, the entire outstanding common stock of which was intercompany owned at August 31, 1944, and carried at $1.00. Until April 1, 1943, that company was under control of non-affiliated voting trustees. The consolidated statements for one month, three months, and twelve months ended August 31, 1943, as previously published, have been adjusted to exclude the operations of that company. At August 31, 1944, the company had a deficit of $882,888.56 after net income for the twelve months ended August 31, 1944, of $506,581.85 and $28,092.10 discount on bonds reacquired, etc., and had undeclared cumulative dividends of $492,093.33 on preferred stock, all of which was held by the public; and any distribution of its income was restricted until fulfillment of certain sinking fund requirements relating to outstanding bonds. As stated in the 1943 Annual Report of the Company the bonds of The Memphis Street Railway Company mature October 1, 1945, and the franchise expires in November of the same year. In April and May, 1944, the holdings of National Power & Light Company and Memphis Generating Company, a subsidiary, in the preferred stock of The Memphis Street Railway Company were sold.

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